

MEETING OF THE BOARD OF CREDIT UNION ADVISORS

January 15, 2013

1:00 pm

Utah Department of Financial Institutions
324 South State Street, Suite 201
Salt Lake City Utah

Minutes

BOARD MEMBERS PRESENT:

Scot Baumgartner, Dean Hirabayashi, and Brenda VanHoorn.

DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:

Ed Leary, Orla Beth Peck, Paul Allred, and Merisa Lanford

OTHERS PRESENT:

Stephen Nelson from Utah Credit Union Association.

1. Call meeting to order – Dean Hirabayashi

A quorum was not yet present, so it was decided to start with the NCUA update and wait for a quorum to be present to approve minutes and elect a new Chairman and Vice-Chairman.

2. NCUA Update- Orla Beth Peck

Orla Beth discussed the final rule on the troubled condition. NASCUS and state regulators took exception to the rule as it was originally proposed because it was not clear that they couldn't use their off-site analyzes to decide if a credit union was in a troubled condition without ever going on site. The final rule declares that before the NCUA can designate a credit union as troubled they have to be on-site and have to consult with the state regulator. Orla Beth is concerned because it seems the NCUA may have other motivations behind their CAMEL ratings. Such as using it for budgeting their number of hours. Dean asked if a credit union was rated from a three to a four if it is automatically considered troubled but Orla Beth said a four is where the troubled rules apply. One of the reasons NACUS objected to the rule is because less than 10% of the time there is a

disagreement and in most of those cases it is a timing difference. The other times are when the state's rating is lower. Orla Beth met with the NCUA Board and other state commissioners in early December attempting to get a better working relationship. Orla Beth received information about the average size of institutions by assets under supervision and Utah was number seven.

Orla Beth then discussed the NCUA's plans for the future. She said in the first quarter they will probably come back to the loan participation rule they proposed. It is also expected that they will come out with something in the member business loan (MBL) area. She is also expecting something to come out on types of investments. Dean asked for clarification on the loan participation rule. They originally purposed a strict limit on the amount from each lender but Orla Beth finds more value in looking at the borrowers for concentration rather than the lender.

Dean mentioned the change in the small credit union designation from 10 to 50 million. Orla Beth said they may revise their examination procedures to spend more time in the bigger institutions rather than the less risky small institutions. There is an increased focus in fraud losses. Orla Beth mentioned a call on January 11th where they talked about the low income credit union designation and how it takes off the 12.5% cap on member business loans. Also, whether or not the credit union has to apply for a waiver but the rule says they don't have to. State chartered credit unions that have the low income designation are not exempt from the limits that apply to member business loans under state law. Orla Beth said there are possibly three state chartered credit unions in Utah with the small credit union designation. If a state chartered credit union wants to know if they qualify they can contact Orla Beth and she will contact the NCUA. The low income designation doesn't mean you get an unlimited number of member business loans or there is any kind of break when it comes to examinations. The benefits are that there are grants and assistance that can be applied for.

3. Minutes

Minutes for October and July meetings needed to be approved.

Scot pointed out a spelling error on page 2 of the October minutes.

Dean asked for a motion to approve the corrected October minutes. Scot made the motion. It was unanimous.

Dean asked for a motion to approve the corrected July minutes. Scot made the motion. It was unanimous.

4. Elect new Chairman and Vice-Chairman- Dean Hirabayashi

Dean asked for nominations for Chairman. Scot nominated Dean. There was a vote and it was unanimous.

Dean asked for nominations for Vice-Chairman. Brenda nominated Scot. Dean seconded the nomination and it was unanimous.

It was decided that at the next meeting Paul would go over the Public Meeting Handbook.

5. Future agenda items – Orla Beth Peck

Orla Beth asked for ideas on things that would be of interest to credit unions. She said experts could be called upon in various areas. Scot suggested enterprise risk management. Dean mentioned vendor management. Stephen said that they get a lot of questions on succession planning and strategic planning. Orla Beth briefly discussed the importance of succession planning. Orla Beth and Commissioner Leary then brought up fraud and robbery prevention. Brenda suggested trends in indirect lending for an agenda item. There was a brief discussion on credit unions offering dealers a flat fee for direct loan applications. Scot also brought up new regulations on mortgage lending requirements.

6. Other business

Orla Beth brought up that the booklets for the CALL Reports are no longer being sent out but she did send a cover letter and blank signature page. The booklet and instructions are on the NCUA's website but are no longer being printed. She is concerned that the booklet and instructions served as a reminder to do the CALL Report and now there will be no reminder. Dean said that the cover letter should be a sufficient reminder.

Orla Beth said that she has been dealing with the IRS on the Form 990 filing. Orla Beth explained that the state used to file a Form 990 for all of the credit unions but the state stopped and credit unions had to do their own because the credit union could be engaged in activities that would be considered to be unrelated to the business of a credit union and create a tax liability. The state did not want to certify that the form was correct if they didn't know for sure. Now the department is the parent and the state chartered credit unions are subordinate organizations for the purpose of the form. Federally chartered credit unions do not have to fill out a Form 990 because they are considered instrumentalities of the federal government. Orla Beth said that the IRS agent she spoke with said that a credit union can get their own tax exempt status now.

7. Date of upcoming meetings –April 16, 2012-1:00 p.m.